

City of Brown City

Sanilac County, Michigan

Audited Financial Report
March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Brown City	County Sanilac County
Fiscal Year End March 31, 2006	Opinion Date June 1, 2006	Date Audit Report Submitted to State July 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.	Telephone Number 989-635-3113		
Street Address 3531 Main Street	City Marlette	State MI	Zip 48453
Authorizing CPA Signature 	Printed Name Lehn King	License Number A248781	

City of Brown City
Annual Financial Report
For The Year Ended March 31, 2006

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To The Honorable Mayor and
Members of the City Council
City of Brown City
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of and for the year ended March 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brown City, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brown City, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

June 1, 2006

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS:

Our discussion and analysis of the City of Brown City's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the City's financial statements.

Financial Highlights

The City of Brown City ended the 2005-2006 fiscal year in relatively good financial condition. The City Council made some difficult decisions concerning the allocation of scarce financial resources, such as the purchase of industrial land in the Renaissance Zone, which will ultimately have significant long-term benefits for our community and residents. Another significant investment was completing the construction of a building adjacent to Well #4 to house the arsenic abatement facility provided by the Environmental Protection Agency. The City's cost for the building was a fraction of the \$268,000 price tag associated with the equipment and installation. Additional capital improvements for FY 2004-2005 included the continuation of the Brown City sidewalk program and a replacement police car and Department Of Public Works truck. There was no street enhancement program in 2004 in order to allow funds from sources such as the Sanilac County Road Millage and Act 51 money to accumulate to achieve the economies of scale associated with larger projects. The marginal increase in governmental operating costs reflected much higher than expected legal fees, as well as increased costs for materials and the operation of equipment. While overall City government has been fiscally conservative, the decrease in City reserves over the past two years, from \$502,218 to \$340,435, or 47.5%, indicates the need to carefully monitor future spending.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments. Specifically included for the first time is noncurrent assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This additional information has been added to the City's financial statement in the belief that it will provide a more focused picture of the City's fiscal health.

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets. Comparative data is not available for assets and liabilities due to the change in accounting formats for the fiscal year ending March 31, 2006 (see note one in the notes to the financial statements).

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2006

	Governmental Activities		Business-Type Activities		Total	
	3/31/2006	3/31/2005	3/31/2006	3/31/2005	3/31/2006	3/31/2005
Current Assets	\$ 826,498	\$ 897,417	\$ 447,622	\$ 393,536	\$ 1,274,120	\$ 1,290,953
Noncurrent Assets	1,327,559	1,225,020	973,316	977,293	2,300,875	2,202,313
Total Assets	2,154,057	2,122,437	1,420,938	1,370,829	3,574,995	3,493,266
Current Liabilities	31,263	33,560	20,000	20,000	51,263	53,560
Noncurrent Liabilities	58,001	72,212	100,000	120,000	158,001	192,212
Total Liabilities	89,264	105,772	120,000	140,000	209,264	245,772
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	1,255,348	1,138,990	853,316	837,293	2,108,664	1,976,283
Restricted	6,194	6,001	0	0	6,194	6,001
Unrestricted	803,251	871,675	440,228	393,536	1,243,479	1,265,211
Total Net Assets	\$ 2,064,793	\$ 2,016,666	\$ 1,293,544	\$ 1,230,829	\$ 3,358,337	\$ 3,247,495

The City's combined net assets increased 3.4% from \$3,247,494 to \$3,358,337. As we look at the governmental activities separately from the business type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$48,000 during the year (a 2.4% increase). The business-type activities (water & sewer) experienced a \$62,715 increase in net assets. The assets of the City remained constant from one year to the next.

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total 2005-2006
Revenues			
Program Revenues:			
Charges for Services	\$ 202,379	\$ 283,372	\$ 485,751
Operating Grants & Cont's	105,367	7,622	112,989
Capital Grants & Cont's	32,287	0	32,287
General Revenues:			0
Property Taxes	419,713	0	419,713
State-Shared Revenues	160,463	0	160,463
Interest	25,129	14,186	39,315
Other Revenues	69,014	0	69,014
Transfers	(16,046)	19,400	3,354
Total Revenues	998,306	324,580	1,322,886
Program Expenses			
General Government	\$ 409,646	\$ 0	\$ 409,646
Public Safety	202,743	0	202,743
Public Works	283,455	0	283,455
Recreation & Culture	50,351	0	50,351
Interest on Long-Term Debt	3,984	4,690	8,674
Water & Sewer	0	257,174	257,174
Total Program Expenses	950,179	261,864	1,212,043

City of Brown City

Management's Discussion & Analysis Letter

For The Fiscal Year Ended March 31, 2006

Economic Factors and Next Year's Budget and Rates

This City Council approved budget emphasizes repairs and enhancements to the sanitary and storm sewer system and lagoons; improving the City -Citizen relationship and communications, decreasing attorney fees; completing the 2006 Streetscape Program; continuing economic development; and finalizing the Arsenic Abatement Program. Meeting these goals is complicated by the City's operating budget decreasing \$250,012 or about 13.87% from the 2005-2006 Final Amended Budget, primarily due to reductions in anticipated revenues. Cuts included a reduction in City Council wages, City Attorney fees, administration wages and capital outlay; Public Safety was reduced 16.5% to include cutting two patrol shifts. Savings in Buildings and Grounds resulted from delaying maintenance; other changes included reducing non-union insurance and benefits payments. Large expense is the projected \$45,000 general Fund subsidy of the Arsenic Abatement Fund. Another significant impact on the 2006/2007 Budget was dramatic wage and benefit increases caused by the Department of Public Works joining the International Union of Operating Engineers Local 324. Street improvements include a \$320,000 Streetscape Project, of which the City's share is about \$120,000. Significant water related expenses include the engineering for a second arsenic abatement facility and the planned \$30,000 overhaul of Well #3. Wastewater costs include a \$20,000 pilot program to reduce sludge the sewage lagoons, and \$20,000 to inspect sewer mains. The City will continue to closely monitor overtime and capital and operational purchasing, and reduce spending wherever possible.

The City of Brown City's 2006/2007 adopted budget is as follows:

	General Fund	
	March 31,	
	2007	2006
Beginning Balance	52,000	0
Revenue		
Property Taxes	372,090	371,100
Intergovernmental Revenue	163,300	162,000
Charges for Services	58,400	56,400
Grant Proceeds	-	-
Loan Proceeds	-	-
Other	192,610	216,980
Total Revenue Collected	786,400	806,480
Fund Available	838,400	806,480
Expenditures		
General Government	308,300	344,130
Public Safety - Police	164,650	175,650
Public Safety - Fire	25,600	28,550
Public Works	77,850	75,940
Other Functions	104,810	127,510
Capital Outlay	-	-
Debt Service	-	-
Transfers	157,190	54,700
Total Expenditures	838,400	806,480
Net Over/Under Budget	\$ -	\$ -

City of Brown City
Management's Discussion & Analysis Letter
For The Fiscal Year Ended March 31, 2006

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact City Hall, 4205 Main Street, Post Office Box 99, Brown City, Michigan 48416, or by telephone at (810) 346-2325, or fax at (810) 346-3802, or e-mail at browncty@greatlakes.net.

Respectfully,

Clinton K. Holmes
City Manager

City of Brown City

Statement of Net Assets (Deficit)

March 31, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 71,558.65	\$ 40,591.40	\$ 112,150.05
Accounts Receivable	54,406.40	965.30	55,371.70
Due From Other Governmental Units	2,574.44	11,963.21	14,537.65
Due From Other Funds	697,958.55	394,102.17	1,092,060.72
Capital Assets			
Nondepreciable Capital Assets	139,971.00	25,856.74	165,827.74
Depreciable Capital Assets	1,187,588.23	947,459.36	2,135,047.59
 Total Assets	 2,154,057.27	 1,420,938.18	 3,574,995.45
<u>Liabilities</u>			
Accounts Payable	17,053.06	-	17,053.06
Current Portion of Long-Term Debt	14,210.00	20,000.00	34,210.00
Noncurrent Liabilities:			
Long-Term Debt	58,000.75	100,000.00	158,000.75
 <u>Total Liabilities</u>	 89,263.81	 120,000.00	 209,263.81
<u>Net Assets (Deficit)</u>			
Invested in Capital Assets - Net of Related Debt	1,255,348.48	853,316.10	2,108,664.58
Restricted for Cemetery Equipment	6,194.05	-	6,194.05
Unrestricted	803,250.93	440,228.08	1,243,479.01
 <u>Total Net Assets (Deficit)</u>	 \$ 2,064,793.46	 \$ 1,293,544.18	 \$ 3,358,337.64

The notes are an integral part of the statements.

City of Brown City
Statement of Activities
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 409,646.22	\$ 159,067.23	\$ -	\$ -	\$ (250,578.99)	\$ -	\$ (250,578.99)
Public Safety	202,742.71	654.10	-	32,287.24	(169,801.37)	-	(169,801.37)
Public Works	283,454.53	42,032.50	105,366.95	-	(136,055.08)	-	(136,055.08)
Recreation & Culture	50,351.42	625.00	-	-	(49,726.42)	-	(49,726.42)
Interest on Long-Term Debt	3,984.36	-	-	-	(3,984.36)	-	(3,984.36)
<u>Total Governmental Activities</u>	950,179.24	202,378.83	105,366.95	32,287.24	(610,146.22)	-	(610,146.22)
Business-type Activities	257,173.88	283,371.64	7,621.57	-	-	33,819.33	33,819.33
Interest on Long-Term Debt	4,690.00	-	-	-	-	(4,690.00)	(4,690.00)
Total Primary Government	<u>\$ 1,212,043.12</u>	<u>\$ 485,750.47</u>	<u>\$ 112,988.52</u>	<u>\$ 32,287.24</u>	<u>\$ (610,146.22)</u>	<u>\$ 29,129.33</u>	<u>\$ (581,016.89)</u>
General Revenues:							
Property Taxes					\$ 419,713.32	\$ -	\$ 419,713.32
State Shared Revenues					160,463.00	-	160,463.00
Interest Earnings					25,129.24	14,186.27	39,315.51
Other Revenues					69,014.28	-	69,014.28
Transfers					(16,045.76)	19,400.00	3,354.24
Total General Revenues, Special Items & Transfers					<u>658,274.08</u>	<u>33,586.27</u>	<u>691,860.35</u>
Change in Net Assets					48,127.86	62,715.60	110,843.46
Net Assets (Deficit) - Beginning of Year					<u>2,016,665.60</u>	<u>1,230,828.58</u>	<u>3,247,494.18</u>
Net Assets (Deficit) - End of Year					<u>\$ 2,064,793.46</u>	<u>\$ 1,293,544.18</u>	<u>\$ 3,358,337.64</u>

The notes are an integral part of the statements.

City of Brown City

Governmental Funds

Balance Sheet

March 31, 2006

	General Fund	Major Street Fund	Local Street Fund	Police Forfeiture Fund	Cemetery Operating Fund	Downtown Development Authority	Parks & Recreation Fund	Total Governmental Funds
<u>Assets</u>								
Cash & Certificates of Deposit	\$ 7,127.65	\$ 24.96	\$ 58.92	\$ 6.21	\$ 39,454.42	\$ 23,461.04	\$ 1,407.23	\$ 71,540.43
Accounts Receivable	11,238.91	-	-	-	814.20	-	-	12,053.11
Property Taxes Receivable	39,821.20	-	-	-	-	-	2,532.09	42,353.29
Due From Others	2,574.44	-	-	-	-	-	-	2,574.44
Due From Other Funds	594,187.96	51,902.35	29,768.56	-	6,263.95	-	27,396.26	709,519.08
<u>Total Assets</u>	<u>\$ 654,950.16</u>	<u>\$ 51,927.31</u>	<u>\$ 29,827.48</u>	<u>\$ 6.21</u>	<u>\$ 46,532.57</u>	<u>\$ 23,461.04</u>	<u>\$ 31,335.58</u>	<u>\$ 838,040.35</u>
<u>Liabilities & Fund Equity</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 10,463.06	\$ -	\$ 6,590.00	\$ -	\$ -	\$ -	\$ -	\$ 17,053.06
Due To Other Funds	12,520.00	-	-	-	-	-	-	12,520.00
<u>Total Liabilities</u>	<u>22,983.06</u>	<u>-</u>	<u>6,590.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,573.06</u>
<u>Fund Equity</u>								
Fund Balances								
- Reserved for Police Car	2,004.16	-	-	-	-	-	-	2,004.16
- Reserved for Unemployment Comp.	361.37	-	-	-	-	-	-	361.37
- Reserved for Streets	130,410.35	-	-	-	-	-	-	130,410.35
- Reserved for Cable Equipment	27,142.00	-	-	-	-	-	-	27,142.00
- Reserved for County Rd Millage	155,928.73	-	-	-	-	-	-	155,928.73
- Reserved for Sidewalks	7,904.58	-	-	-	-	-	-	7,904.58
- Designated for Cemetery Equipment	-	-	-	-	6,194.05	-	-	6,194.05
- Unreserved & Undesignated	308,215.91	51,927.31	23,237.48	6.21	40,338.52	23,461.04	31,335.58	478,522.05
<u>Total Fund Balances</u>	<u>631,967.10</u>	<u>51,927.31</u>	<u>23,237.48</u>	<u>6.21</u>	<u>46,532.57</u>	<u>23,461.04</u>	<u>31,335.58</u>	<u>808,467.29</u>
<u>Total Liabilities & Fund Equity</u>	<u>\$ 654,950.16</u>	<u>\$ 51,927.31</u>	<u>\$ 29,827.48</u>	<u>\$ 6.21</u>	<u>\$ 46,532.57</u>	<u>\$ 23,461.04</u>	<u>\$ 31,335.58</u>	<u>\$ 838,040.35</u>

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2006

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 881,052.58
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,255,951.63
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(72,210.75)
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Accrued Interest Payable is not reported in the Funds	<u>-</u>
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Net Assets of Governmental Activities	<u><u>\$ 2,064,793.46</u></u>
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The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2006

	General	Major	Local	Police	Cemetery	Downtown	Park &	Total
	Fund	Street	Street	Forfeiture	Operating	Development	Recreation	Governmental
Revenues		Fund	Fund	Fund	Fund	Authority	Fund	Funds
Property Taxes	\$ 394,240.09	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,473.23	\$ 419,713.32
State Shared Revenue	160,463.00	80,038.46	25,328.49	-	-	-	-	265,829.95
Charges for Services	52,501.23	-	-	-	9,950.00	-	-	62,451.23
Licenses & Permits	1,499.30	-	-	-	-	-	-	1,499.30
Interest Earnings	18,123.55	2,041.47	1,492.28	-	1,243.54	1,364.34	671.09	24,936.27
Grant Proceeds	32,287.24	-	-	-	-	-	-	32,287.24
Loan Proceeds	-	-	-	-	-	-	-	-
Rental Income & Franchise Fees	90,472.68	-	-	-	-	-	625.00	91,097.68
Other Revenues	58,674.68	714.66	4,655.19	-	50.00	-	4,919.75	69,014.28
Total Revenues	808,261.77	82,794.59	31,475.96	-	11,243.54	1,364.34	31,689.07	966,829.27
Expenditures								
General Government	264,266.32	-	-	-	10,747.14	-	-	275,013.46
Public Safety	190,580.35	-	-	384.17	-	-	-	190,964.52
Publics Works	156,946.57	72,461.91	35,039.60	-	-	35.00	-	264,483.08
Recreation & Culture	-	-	-	-	-	-	45,092.92	45,092.92
Other Functions	51,458.55	-	-	-	-	-	-	51,458.55
Capital Outlay	20,177.72	-	145,860.38	-	-	-	-	166,038.10
Debt Service - Principal	13,819.00	-	-	-	-	-	-	13,819.00
Debt Service - Interest	3,984.36	-	-	-	-	-	-	3,984.36
Total Expenditures	701,232.87	72,461.91	180,899.98	384.17	10,747.14	35.00	45,092.92	1,010,853.99
Excess of Revenues Over								
(Under) Expenditures	107,028.90	10,332.68	(149,424.02)	(384.17)	496.40	1,329.34	(13,403.85)	(44,024.72)
Other Financing Sources (Uses)								
Operating Transfers In (Out)	(113,387.10)	(12,600.00)	106,587.10	-	3,354.24	-	-	(16,045.76)
Net Change in Fund Balances	(6,358.20)	(2,267.32)	(42,836.92)	(384.17)	3,850.64	1,329.34	(13,403.85)	(60,070.48)
Fund Balances - Beginning of Year	638,325.30	54,194.63	66,074.40	390.38	42,681.93	22,131.70	44,739.43	868,537.77
Fund Balances - End of Year	\$ 631,967.10	\$ 51,927.31	\$ 23,237.48	\$ 6.21	\$ 46,532.57	\$ 23,461.04	\$ 31,335.58	\$ 707,138.10

The notes are an integral part of the statements.

City of Brown City
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ (87,620.11)

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 166,038.10

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 13,819.00

Realized Gain (Loss) on Sale of Capital Assets not accounted for in the
Governmental Funds -

Loan Proceeds are recognized as revenue in the Governmental Funds,
but not in the Statement of Activities -

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (44,109.13)

Net Assets of Governmental Activities \$ 48,127.86

The notes are an integral part of the statements.

City of Brown City
Statement of Net Assets (Deficit)
Proprietary Funds
March 31, 2006

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service
Assets	Fund	Fund	Funds	Fund
				Equipment
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 40,055.43	\$ 535.97	\$ 40,591.40	\$ 18.22
Accounts Receivable	449.13	516.17	965.30	-
Due From Other Governmental Units	-	11,963.21	11,963.21	-
Due From Other Funds	244,954.08	149,148.09	394,102.17	959.47
<u>Total Current Assets</u>	285,458.64	162,163.44	447,622.08	977.69
<u>Noncurrent Assets</u>				
Capital Assets not being Depreciated	20,000.00	5,856.74	25,856.74	-
Capital Assets being Depreciated	793,118.74	1,432,579.78	2,225,698.52	288,132.60
Less: Accumulated Depreciation	(430,225.72)	(848,013.44)	(1,278,239.16)	(216,525.00)
<u>Total Noncurrent Assets</u>	382,893.02	590,423.08	973,316.10	71,607.60
Total Assets	668,351.66	752,586.52	1,420,938.18	72,585.29
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	-	7,394.00	7,394.00	-
Current Portion of Long-Term Debt	-	20,000.00	20,000.00	-
Total Current Liabilities	-	27,394.00	27,394.00	-
<u>Long-Term Liabilities</u>				
Bonds Payable	-	100,000.00	100,000.00	-
Total Liabilities	-	127,394.00	127,394.00	-
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	382,893.02	470,423.08	853,316.10	71,607.60
Unrestricted	285,458.64	154,769.44	440,228.08	977.69
<u>Total Net Assets</u>	\$ 668,351.66	\$ 625,192.52	\$ 1,293,544.18	\$ 72,585.29

City of Brown City
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
March 31, 2006

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<u>Operating Revenues</u>				
User Charges & Penalties	\$ 84,466.41	\$ 194,705.23	\$ 279,171.64	\$ -
Service Connection Charges	2,400.00	1,800.00	4,200.00	-
Equipment Rental	-	-	-	47,330.62
	<u>86,866.41</u>	<u>196,505.23</u>	<u>283,371.64</u>	<u>47,330.62</u>
<u>Total Operating Revenues</u>				
	<u>86,866.41</u>	<u>196,505.23</u>	<u>283,371.64</u>	<u>47,330.62</u>
<u>Operating Expenses</u>				
Operation & Maintenance	85,061.19	85,605.69	170,666.88	31,951.42
General & Administration	11,884.98	15,817.20	27,702.18	19,519.80
Depreciation	19,469.22	39,335.60	58,804.82	23,602.00
	<u>116,415.39</u>	<u>140,758.49</u>	<u>257,173.88</u>	<u>75,073.22</u>
<u>Total Operating Expenses</u>				
	<u>116,415.39</u>	<u>140,758.49</u>	<u>257,173.88</u>	<u>75,073.22</u>
<u>Operating Income (Loss)</u>	(29,548.98)	55,746.74	26,197.76	(27,742.60)
<u>Nonoperating Revenues (Expenses)</u>				
Interest Earnings	9,139.87	5,046.40	14,186.27	192.97
Interest Expense	-	(4,690.00)	(4,690.00)	-
Capital Contribution	-	7,621.57	7,621.57	-
Transfers From (To) Other Funds	-	19,400.00	19,400.00	-
	<u>-</u>	<u>19,400.00</u>	<u>19,400.00</u>	<u>-</u>
<u>Change in Net Assets</u>	(20,409.11)	83,124.71	62,715.60	(27,549.63)
<u>Net Assets - Beginning of Year</u>	688,760.77	542,067.81	1,230,828.58	100,134.92
	<u>688,760.77</u>	<u>542,067.81</u>	<u>1,230,828.58</u>	<u>100,134.92</u>
<u>Net Assets - End of Year</u>	\$ 668,351.66	\$ 625,192.52	\$ 1,293,544.18	\$ 72,585.29
	<u>\$ 668,351.66</u>	<u>\$ 625,192.52</u>	<u>\$ 1,293,544.18</u>	<u>\$ 72,585.29</u>

City of Brown City
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2006

	Enterprise Funds		Total	Internal
	Sewer	Water	Enterprise	Service
	Fund	Fund	Funds	Fund
				Equipment
<u>Cash Flow From Operating Activities</u>				
Receipts from Customers	\$ 86,694.23	\$ 199,518.60	\$ 286,212.83	\$ 47,330.62
Payments for Operation & Maintenance	(85,061.19)	(78,211.69)	(163,272.88)	(31,951.42)
Payments for General & Administration	(11,884.98)	(15,817.20)	(27,702.18)	(19,519.80)
 <u>Net Cash Provided by Operating Activity</u>	 (10,251.94)	 105,489.71	 95,237.77	 (4,140.60)
<u>Cash Flows from Noncapital Financing Activities</u>				
Operating Transfers In (Out)	-	19,400.00	19,400.00	-
Received "Due From Other Funds"	1,075.65	(57,744.23)	(56,668.58)	8,168.83
 <u>Net Cash Provided by Noncapital Financing Activities</u>	 1,075.65	 (38,344.23)	 (37,268.58)	 8,168.83
<u>Cash Flows from Capital & Related Financing Activities</u>				
Interest Expense	-	(4,690.00)	(4,690.00)	-
Receipt of Capital Contributions	-	7,621.57	7,621.57	-
Purchase of Capital Assets	-	(54,828.01)	(54,828.01)	(4,213.00)
Principal Payment on Bonds Payable	-	(20,000.00)	(20,000.00)	-
 <u>Net Cash Provided by Capital & Related Financing Activities</u>	 -	 (71,896.44)	 (71,896.44)	 (4,213.00)
<u>Cash Flows From Investing Activities</u>				
Interest received on Investments	9,139.87	5,046.40	14,186.27	192.97
 <u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	 (36.42)	 295.44	 259.02	 8.20
 <u>Cash & Cash Equivalents - Beginning of Year</u>	 40,091.85	 240.53	 40,332.38	 10.02
 <u>Cash & Cash Equivalents - End of Year</u>	 \$ 40,055.43	 \$ 535.97	 \$ 40,591.40	 \$ 18.22
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>				
Operating Income (Loss)	(29,548.98)	55,746.74	26,197.76	(27,742.60)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	19,469.22	39,335.60	58,804.82	23,602.00
Changes in Assets & Liabilities:				
Receivables	(172.18)	3,013.37	2,841.19	-
Accounts Payable	-	7,394.00	7,394.00	-
 <u>Net Cash Provided by Operating Activities</u>	 \$ (10,251.94)	 \$ 105,489.71	 \$ 95,237.77	 \$ (4,140.60)

City of Brown City
Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2006

	Pension & Other Trust Funds	Agency Fund
<u>Assets</u>		
Cash & Certificate of Deposit	\$ 94,560.26	\$ 1,092,078.14
Due From Other Funds	-	-
<u>Total Assets</u>	94,560.26	\$ 1,092,078.14
<u>Liabilities</u>		
Due To Other Funds	-	\$ 1,092,078.14
Due To Other Governmental Agencies	-	-
<u>Total Liabilities</u>	-	\$ 1,092,078.14
<u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	94,560.26	
Unreserved - Undesignated	-	
<u>Total Net Assets</u>	\$ 94,560.26	

The notes are an integral part of the statements.

City of Brown City
Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2006

	Pension & Other Trust Funds
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 3,354.24
Sale of Lots - Perpetual Care	<u>4,327.24</u>
<u>Total Additions</u>	<u>7,681.48</u>
<u>Deductions</u>	
Contribution To (From) Other Funds	<u>3,354.24</u>
<u>Total Deductions</u>	<u>3,354.24</u>
<u>Net Increase</u>	4,327.24
<u>Net Assets - Beginning of Year</u>	<u>90,233.02</u>
<u>Net Assets - End of Year</u>	<u><u>\$ 94,560.26</u></u>

The notes are an integral part of the statements.

City of Brown City

Notes to the Financial Statements

For The Year Ended March 31, 2006

The accounting methods and procedures adopted by the City of Brown City, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Brown City was incorporated as a 4th Class City in 1907. The City has operated since 1973 under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Brown City (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Brown City, an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

Local Street Fund – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes.

Police Forfeiture Fund - The fund accounts for the money collected on forfeitures.

Cemetery Operating Fund - This fund accounts for the lot sales, grave openings and general maintenance of the cemetery. Funding is provided primarily through grave openings and interest earnings from the Cemetery Perpetual Care Fund.

Downtown Development Authority Fund (a Special Revenue Fund type) – The Downtown Development Authority’s purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Park Fund - This fund accounts for the general maintenance of the City Park. Funding is provided primarily through a millage and donations.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

Equipment Fund (Internal Service Fund) – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency & Other Trust Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and other Compensated Absences - Vacation days are earned by employees at a rate from 4 to 15 days per year with unused days at year-end being forfeited.

Sick days are earned by employees at a rate of one day per month during the year. A maximum of 36 unused sick days may be accumulated by an employee. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

City of Brown City

Notes to the Financial Statements

For The Year Ended March 31, 2006

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2006, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
City Manager	\$ 70,620	\$ 72,295	\$ 1,675
Board of Review	800	825	25
Department of Public Works	18,450	59,790	41,340
Parking Lot	1,400	3,215	1,815
Refuse Collection	35,530	44,712	9,182
Street Lighting	24,500	26,161	1,661
Debt Service - Principal	6,000	13,819	7,819
Debt Service - Interest	3,200	3,984	784
Community Promotion	11,600	11,898	298
<u>Major Streets</u>			
Trunk Line Maintenance	10,300	11,697	1,397
<u>Local Streets</u>			
Capital Outlay	0	145,860	145,860
<u>Cemetery Operations</u>			
Contractual Services	3,300	3,600	300
Administration Fees	690	899	209
<u>Park</u>			
Salaries & Wages	6,500	8,484	1,984
Operating Supplies	13,380	14,554	1,174
Utilities	1,700	1,963	263
Miscellaneous	1,050	2,626	1,576

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated two banks for the deposit of City funds. There was no investment policy adopted by the City in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 71,559	\$ 40,591	\$ 1,186,638	\$ 1,298,788

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 1,298,788

The bank balance of the primary government's deposits is \$1,298,788, of which \$200,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments	NONE	NONE	NONE	NONE	NONE
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the City or its agent in the City's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance April 1, 2005	Additions	Disposals & Adjustments	Balance March 31, 2006
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 139,971	\$ -	\$ -	\$ 139,971
Capital Assets Being Depreciated:				
Infrastructure	704,183	151,601	-	855,784
Buildings & Improvements	528,526	-	-	528,526
Machinery & Equipment	411,730	18,650	39,768	390,612
Total Capital Assets being Depreciated	1,644,439	170,251	39,768	1,774,922
Accumulated Depreciation:				
Infrastructure	56,585	18,239	-	74,824
Buildings & Improvements	225,574	12,740	-	238,314
Machinery & Equipment	277,232	36,732	39,768	274,196
Total Accumulated Depreciation	559,391	67,711	39,768	587,334
Net Capital Assets	<u>\$ 1,225,019</u>	<u>\$ 102,540</u>	<u>\$ -</u>	<u>\$ 1,327,559</u>
Business-type Activities:				
Capital Assets not being Depreciated - Land	\$ 25,857	\$ -	\$ -	\$ 25,857
Capital Assets Being Depreciated:				
Sewage Treatment Plant	793,119	-	-	793,119
Water Distribution System	1,377,752	54,828	-	1,432,580
Total Capital Assets being Depreciated	2,170,871	54,828	-	2,225,699
Accumulated Depreciation:				
Sewage Treatment Plant	410,757	19,469	-	430,226
Water Distribution System	808,678	39,336	-	848,014
Total Accumulated Depreciation	1,219,435	58,805	-	1,278,240
Net Capital Assets	<u>\$ 977,293</u>	<u>\$ (3,977)</u>	<u>\$ -</u>	<u>\$ 973,316</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 8,101
Public Safety	11,778
Public Works	18,971
Recreation & Culture	5,259
Total Governmental Activities	<u>\$ 44,109</u>
Business-type Activities:	
Sewer Fund	\$ 19,469
Water Fund	39,336
Total Business-type Activities	<u>\$ 58,805</u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

5. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	Due From Other Funds		Due To Other Funds
Payroll Fund	\$ 851	General Fund	\$ 851
Investment Fund	147,548	Water Fund	147,548
Investment Fund	593,337	General Fund	593,337
Investment Fund	959	Equipment Fund	959
Investment Fund	50,602	Major Street Fund	50,602
Investment Fund	27,369	Local Street Fund	27,369
Investment Fund	6,264	Cemetery Operating	6,264
Investment Fund	240,954	Sewer Fund	240,954
Investment Fund	26,194	Park Fund	26,194
General Fund	2,400	Local Street Fund	2,400
General Fund	1,300	Major Street Fund	1,300
General Fund	1,220	Park Fund	1,220
General Fund	3,600	Water Fund	3,600
General Fund	4,000	Sewer Fund	4,000
	<u>\$ 1,106,598</u>		<u>\$ 1,106,598</u>
Total	<u>\$ 1,106,598</u>		<u>\$ 1,106,598</u>

Interfund Transfers reported in the Fund Statements are as follows:

	Transferred From		Transferred To
Cemetery Perpetual Care Fund	\$ 3,354	Cemetery Operating Fund	\$ 3,354
Major Street Fund	12,600	Local Street Fund	12,600
General Fund	19,400	Water Fund	19,400
General Fund	93,987	Local Street Fund	93,987
	<u>\$ 129,341</u>		<u>\$ 129,341</u>
Total	<u>\$ 129,341</u>		<u>\$ 129,341</u>

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

7. Long-Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
Ford Motor Credit Company						
2005 Ford Crown Victoria						
Amount of Issue - \$24,651		\$7,819 -				
Maturing through 2008	5.00%	\$8,621	\$ 16,030	\$ (7,819)	\$ 8,211	\$ 8,211
General Obligation Bonds & Contracts						
USDA Rural Development Note Payable						
Purchased Six Acres						
Amount of Issue - \$70,000		\$6,000 -				
Maturing through 2014	4.75%	\$8,000	\$ 70,000	\$ (6,000)	\$ 64,000	\$ 6,000
Total Governmental Activities			<u>\$ 86,030</u>	<u>\$ (13,819)</u>	<u>\$ 72,211</u>	<u>\$ 14,211</u>
Business-type Activities						
General Obligation Bonds & Contracts						
Series 2002 Sanilac Co. Brown City Water Tower						
Rehabilitation Project Bonds						
Amount of Issue - \$200,000						
Maturing through 2012	3.35%	\$20,000	\$ 140,000	\$ (20,000)	\$ 120,000	\$ 20,000
Total Business-type Activities			<u>\$ 140,000</u>	<u>\$ (20,000)</u>	<u>\$ 120,000</u>	<u>\$ 20,000</u>
Total Primary Government			<u>\$ 226,030</u>	<u>\$ (33,819)</u>	<u>\$ 192,211</u>	<u>\$ 34,211</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities				Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 14,210	\$ 3,451	\$ 17,661		\$ 20,000	\$ 4,020	\$ 24,020
2008	6,000	2,755	8,755		20,000	3,350	23,350
2009	7,000	2,470	9,470		20,000	2,680	22,680
2010	7,000	2,138	9,138		20,000	2,010	22,010
2011	7,000	1,805	8,805		20,000	1,340	21,340
2012-2014	31,000	3,752	34,752		20,000	670	20,670
Total	<u>\$ 72,210</u>	<u>\$ 16,371</u>	<u>\$ 88,581</u>	Total	<u>\$ 120,000</u>	<u>\$ 14,070</u>	<u>\$ 134,070</u>

11. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

City of Brown City
Notes to the Financial Statements
For The Year Ended March 31, 2006

15. Downtown Development Authority (DDA)

The Downtown Development Authority was established by the City of Brown City Commission in accordance with Act 197 of PA 1975. Its purpose will be to serve the best interest of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the cause of the deterioration, and to promote economic growth. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the Corporation is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the Corporation, the bonds and related lease contracts have not been reflected in the financial statements of the Corporation.

As of March 31, 2006, the Corporation has issued revenue bonds, as described above. Following are details of the bond issues.

<u>Project</u>	<u>Amount of Revenue Date of Bond Closing</u>	<u>Bonds Issued</u>
Brown City Pharmacy	October 02, 1989	\$ 135,898
Great Reflections	June 06, 1992	86,317
Master Floor Covering	April 15, 2003	33,681
Total		<u><u>\$ 255,896</u></u>

Required Supplemental Information

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

<u>Revenues</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Taxes</u>				
Current Property Taxes	\$ 371,100.00	\$ 376,590.00	\$ 394,240.09	\$ 17,650.09
 <u>State Shared Revenues</u>	 162,000.00	 161,800.00	 160,463.00	 (1,337.00)
<u>Liquor Licenses</u>	1,230.00	1,500.00	1,499.30	(0.70)
 <u>Charges for Services</u>				
Refuse Collection Fees	43,000.00	40,150.00	42,032.50	1,882.50
District Court & Public Hearing Fees	650.00	700.00	654.10	(45.90)
Collection Fees	10,800.00	9,800.00	9,814.63	14.63
 <u>Miscellaneous Revenues</u>				
Admin's Fees / Benefit Charges / Rentals	130,580.00	137,240.00	88,658.08	(48,581.92)
Franchise Fees	2,350.00	1,820.00	1,814.60	(5.40)
Grant Proceeds	-	32,290.00	32,287.24	(2.76)
Loan Proceeds	-	-	-	-
County Road Millage	42,000.00	43,000.00	42,666.51	(333.49)
Sale of Fixed Assets	1,500.00	1,625.00	1,625.00	-
Donations	3,500.00	-	-	-
Miscellaneous	1,570.00	12,550.00	14,383.17	1,833.17
 <u>Interest Earnings</u>	 11,200.00	 13,360.00	 18,123.55	 4,763.55
 <u>Total Revenues</u>	 <u>\$ 781,480.00</u>	 <u>\$ 832,425.00</u>	 <u>\$ 808,261.77</u>	 <u>\$ (24,163.23)</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>General Government</u>				
Council	\$ 58,550.00	\$ 50,700.00	\$ 41,796.99	\$ 8,903.01
Mayor	1,800.00	1,800.00	1,501.76	298.24
City Manager	67,300.00	70,620.00	72,295.48	(1,675.48)
Elections	5,060.00	2,620.00	1,899.45	720.55
Assessor	8,200.00	8,200.00	8,175.44	24.56
Clerk	95,370.00	95,620.00	90,487.09	5,132.91
Board of Review	800.00	800.00	824.75	(24.75)
Treasurer	13,100.00	13,900.00	13,272.90	627.10
City Hall & Grounds	52,650.00	49,420.00	34,012.46	15,407.54
<u>Total General Government</u>	<u>302,830.00</u>	<u>293,680.00</u>	<u>264,266.32</u>	<u>29,413.68</u>
<u>Public Safety</u>				
Police Department	161,150.00	181,000.00	162,039.10	18,960.90
Fire Protection	28,550.00	28,550.00	28,541.25	8.75
<u>Total Public Safety</u>	<u>189,700.00</u>	<u>209,550.00</u>	<u>190,580.35</u>	<u>18,969.65</u>
<u>Public Works</u>				
Department of Public Works	10,910.00	18,450.00	59,790.44	(41,340.44)
Parking Lot	1,400.00	1,400.00	3,215.14	(1,815.14)
Sidewalks	28,900.00	23,500.00	23,067.85	432.15
Drains at Large	2,550.00	2,550.00	-	2,550.00
Refuse Collection	37,980.00	35,530.00	44,712.40	(9,182.40)
Library	23,700.00	23,700.00	-	23,700.00
Street Lighting	24,500.00	24,500.00	26,160.74	(1,660.74)
<u>Total Public Works</u>	<u>129,940.00</u>	<u>129,630.00</u>	<u>156,946.57</u>	<u>(27,316.57)</u>
<u>Capital Outlay</u>	<u>25,500.00</u>	<u>27,200.00</u>	<u>20,177.72</u>	<u>7,022.28</u>
<u>Debt Service - Principal</u>	<u>-</u>	<u>6,000.00</u>	<u>13,819.00</u>	<u>(7,819.00)</u>
<u>Debt Service - Interest</u>	<u>-</u>	<u>3,200.00</u>	<u>3,984.36</u>	<u>(784.36)</u>
<u>Other Functions</u>				
Community Promotion	8,500.00	11,600.00	11,898.11	(298.11)
Insurance, Bonds, & Fringe Benefits	95,310.00	116,375.00	39,560.44	76,814.56
<u>Total Other Functions</u>	<u>103,810.00</u>	<u>127,975.00</u>	<u>51,458.55</u>	<u>76,516.45</u>
<u>Total Expenditures</u>	<u>751,780.00</u>	<u>797,235.00</u>	<u>701,232.87</u>	<u>96,002.13</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>29,700.00</u>	<u>35,190.00</u>	<u>107,028.90</u>	<u>71,838.90</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(54,700.00)	(154,190.00)	(113,387.10)	40,802.90
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(25,000.00)</u>	<u>(119,000.00)</u>	<u>(6,358.20)</u>	<u>112,641.80</u>
<u>Fund Balance - Beginning of Year</u>	<u>25,000.00</u>	<u>119,000.00</u>	<u>638,325.30</u>	<u>519,325.30</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,967.10</u>	<u>\$ 631,967.10</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 66,750.00	\$ 66,350.00	\$ 68,973.82	\$ 2,623.82
State Trunk Line Maintenance	11,000.00	10,325.00	11,064.64	739.64
Interest Earnings	1,200.00	2,050.00	2,041.47	(8.53)
Miscellaneous	-	350.00	714.66	364.66
<u>Total Revenues</u>	<u>78,950.00</u>	<u>79,075.00</u>	<u>82,794.59</u>	<u>3,719.59</u>
<u>Expenditures</u>				
Routine Maintenance	20,650.00	41,375.00	38,515.91	2,859.09
Traffic Services	800.00	800.00	728.32	71.68
Snow & Ice Removal	10,500.00	11,000.00	9,437.61	1,562.39
Administration/Insurance	16,900.00	12,490.00	12,083.22	406.78
Trunk Line Maintenance	17,500.00	10,300.00	11,696.85	(1,396.85)
<u>Total Expenditures</u>	<u>66,350.00</u>	<u>75,965.00</u>	<u>72,461.91</u>	<u>3,503.09</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>12,600.00</u>	<u>3,110.00</u>	<u>10,332.68</u>	<u>7,222.68</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	(12,600.00)	(12,600.00)	(12,600.00)	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>(9,490.00)</u>	<u>(2,267.32)</u>	<u>7,222.68</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>9,490.00</u>	<u>54,194.63</u>	<u>44,704.63</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,927.31</u>	<u>\$ 51,927.31</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
State Shared Revenue - Gas & Weight Tax	\$ 24,000.00	\$ 24,000.00	\$ 25,328.49	\$ 1,328.49
Interest Earnings	1,100.00	1,500.00	1,492.28	(7.72)
Miscellaneous	4,200.00	4,700.00	4,655.19	(44.81)
<u>Total Revenues</u>	<u>29,300.00</u>	<u>30,200.00</u>	<u>31,475.96</u>	<u>1,275.96</u>
<u>Expenditures</u>				
Routine Maintenance	237,700.00	165,800.00	15,563.82	150,236.18
Traffic Services	800.00	800.00	-	800.00
Snow & Ice Removal	12,500.00	14,500.00	10,877.74	3,622.26
Administration/Insurance	9,130.00	8,830.00	8,598.04	231.96
Capital Outlay	-	-	145,860.38	(145,860.38)
<u>Total Expenditures</u>	<u>260,130.00</u>	<u>189,930.00</u>	<u>180,899.98</u>	<u>9,030.02</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(230,830.00)</u>	<u>(159,730.00)</u>	<u>(149,424.02)</u>	<u>10,305.98</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	230,830.00	106,600.00	106,587.10	(12.90)
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>-</u>	<u>(53,130.00)</u>	<u>(42,836.92)</u>	<u>10,293.08</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>53,130.00</u>	<u>66,074.40</u>	<u>12,944.40</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,237.48</u>	<u>\$ 23,237.48</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Police Forfeiture Fund
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Fines & Forfeitures	\$ -	\$ -	\$ -	\$ -
<u>Total Revenues</u>	-	-	-	-
<u>Expenditures</u>				
Supplies	200.00	400.00	384.17	15.83
<u>Total Expenditures</u>	200.00	400.00	384.17	15.83
<u>Excess of Revenues Over (Under) Expenditures</u>	(200.00)	(400.00)	(384.17)	15.83
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	(200.00)	(400.00)	(384.17)	15.83
<u>Fund Balance - Beginning of Year</u>	-	-	390.38	390.38
<u>Fund Balance - End of Year</u>	<u>\$ (200.00)</u>	<u>\$ (400.00)</u>	<u>\$ 6.21</u>	<u>\$ 406.21</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Operating Fund
For The Year Ended March 31, 2006

	Original	Amended		Variance with
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Amended Budget</u>
Lot Sales	\$ 3,500.00	\$ 5,300.00	\$ 4,300.00	\$ (1,000.00)
Grave Openings	8,000.00	8,000.00	5,650.00	(2,350.00)
Interest Earnings	550.00	1,300.00	1,243.54	(56.46)
Other Revenue	200.00	100.00	50.00	(50.00)
<u>Total Revenues</u>	<u>12,250.00</u>	<u>14,700.00</u>	<u>11,243.54</u>	<u>(3,456.46)</u>
<u>Expenditures</u>				
Contractual Services	3,300.00	3,300.00	3,600.00	(300.00)
Administration Fees	670.00	690.00	899.00	(209.00)
Repairs & Maintenance	475.00	700.00	548.71	151.29
Operating Supplies	850.00	850.00	300.00	550.00
Equipment Rental	700.00	500.00	-	500.00
Grave Openings	5,200.00	5,200.00	3,700.00	1,500.00
Miscellaneous	3,855.00	6,400.00	1,699.43	4,700.57
<u>Total Expenditures</u>	<u>15,050.00</u>	<u>17,640.00</u>	<u>10,747.14</u>	<u>6,892.86</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	<u>(2,800.00)</u>	<u>(2,940.00)</u>	<u>496.40</u>	<u>3,436.40</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	2,800.00	2,940.00	3,354.24	414.24
<u>Excess of Revenues & Other Sources</u>				
<u>Over Expenditures & Other Uses</u>	<u>-</u>	<u>-</u>	<u>3,850.64</u>	<u>3,850.64</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>42,681.93</u>	<u>42,681.93</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,532.57</u>	<u>\$ 46,532.57</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority
For The Year Ended March 31, 2006

	Original	Amended		Variance with
<u>Revenues</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Amended</u>
Interest Earnings	\$ 3,160.00	\$ 1,402.00	\$ 1,364.34	\$ (37.66)
<u>Total Revenues</u>	<u>3,160.00</u>	<u>1,402.00</u>	<u>1,364.34</u>	<u>(37.66)</u>
<u>Expenditures</u>	<u>3,160.00</u>	<u>1,402.00</u>	<u>35.00</u>	<u>1,367.00</u>
<u>Total Expenditures</u>	<u>3,160.00</u>	<u>1,402.00</u>	<u>35.00</u>	<u>1,367.00</u>
<u>Excess of Revenues Over</u>				
<u>(Under) Expenditures</u>	-	-	1,329.34	1,329.34
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources</u>				
<u>Over Expenditures & Other Uses</u>	-	-	1,329.34	1,329.34
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>22,131.70</u>	<u>22,131.70</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,461.04</u>	<u>\$ 23,461.04</u>

City of Brown City
Required Supplemental Information
Budgetary Comparison Schedule
Park Fund
For The Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 23,705.00	\$ 25,800.00	\$ 25,473.23	\$ (326.77)
Contributions & Donations	5,200.00	2,750.00	2,736.00	(14.00)
Pavilion Rental	850.00	490.00	625.00	135.00
Miscellaneous	50.00	2,200.00	2,183.75	(16.25)
Interest Earnings	800.00	750.00	671.09	(78.91)
<u>Total Revenues</u>	30,605.00	31,990.00	31,689.07	(300.93)
<u>Expenditures</u>				
Salaries & Wages	16,400.00	6,500.00	8,484.48	(1,984.48)
FICA Expense	120.00	550.00	492.16	57.84
Operating Supplies	4,000.00	13,380.00	14,554.39	(1,174.39)
Utilities	1,700.00	1,700.00	1,963.33	(263.33)
Repairs & Maintenance	1,000.00	14,500.00	14,430.00	70.00
Equipment Rent	1,000.00	1,500.00	1,325.56	174.44
Insurance	1,300.00	1,220.00	1,217.00	3.00
Miscellaneous	90.00	1,050.00	2,626.00	(1,576.00)
Capital Outlay	4,995.00	1,500.00	-	1,500.00
<u>Total Expenditures</u>	30,605.00	41,900.00	45,092.92	(3,192.92)
<u>Excess of Revenues Over (Under) Expenditures</u>	-	(9,910.00)	(13,403.85)	(3,493.85)
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	-	(9,910.00)	(13,403.85)	(3,493.85)
<u>Fund Balance - Beginning of Year</u>	-	9,910.00	44,739.43	34,829.43
<u>Fund Balance - End of Year</u>	\$ -	\$ -	\$ 31,335.58	\$ 31,335.58

Other Supplemental Information

City of Brown City
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
March 31, 2006

	Pension & Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care		Totals	Payroll	Investment	Totals
<u>Assets</u>	<u>Expendable Trust</u>	<u>Nonexpendable Trust</u>		<u>Fund</u>	<u>Fund</u>	
Cash - Savings & Certificates	\$ -	\$ 94,560.26	\$ 94,560.26	\$ 851.14	\$ 1,091,227.00	\$ 1,092,078.14
Due From Other Funds	-	-	-	-	-	-
<u>Total Assets</u>	<u>\$ -</u>	<u>\$ 94,560.26</u>	<u>\$ 94,560.26</u>	<u>\$ 851.14</u>	<u>\$ 1,091,227.00</u>	<u>\$ 1,092,078.14</u>
<u>Liabilities & Net Assets</u>						
<u>Liabilities</u>						
Due To:						
Water	\$ -	\$ -	\$ -	\$ -	\$ 145,548.09	\$ 145,548.09
General	-	-	-	851.14	593,336.82	594,187.96
Motor Vehicle Equipment Pool	-	-	-	-	959.47	959.47
Major Street	-	-	-	-	50,602.35	50,602.35
Local Street	-	-	-	-	27,368.56	27,368.56
Cemetery Operating	-	-	-	-	6,263.95	6,263.95
Sewage Disposal System	-	-	-	-	240,954.08	240,954.08
Parks	-	-	-	-	26,193.68	26,193.68
Due To Other Governmental Units	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 851.14</u>	<u>\$ 1,091,227.00</u>	<u>\$ 1,092,078.14</u>
<u>Net Assets</u>						
Held in Trust for Cemetery Perpetual Care	-	94,560.26	94,560.26			
Unreserved - Undesignated	-	-	-			
<u>Total Net Assets</u>	<u>-</u>	<u>94,560.26</u>	<u>94,560.26</u>			
<u>Total Liabilities & Net Assets</u>	<u>\$ -</u>	<u>\$ 94,560.26</u>	<u>\$ 94,560.26</u>			

City of Brown City
Other Supplemental Information
Combining Statement of Changes in Net Assets
Fiduciary Funds
March 31, 2006

	Pension & Other Trust Funds		
	Cemetery Perpetual Care		
	Expendable	Nonexpendable	
	Trust	Trust	Totals
<u>Additions</u>			
Interest Income - Perpetual Care	\$ 3,354.24	\$ -	\$ 3,354.24
Sale of Lots - Perpetual Care	-	4,327.24	4,327.24
<u>Total Additions</u>	<u>3,354.24</u>	<u>4,327.24</u>	<u>7,681.48</u>
<u>Deductions</u>			
Contribution To (From) Other Funds	<u>3,354.24</u>	<u>-</u>	<u>3,354.24</u>
<u>Total Deductions</u>	<u>3,354.24</u>	<u>-</u>	<u>3,354.24</u>
<u>Net Increase</u>	-	4,327.24	4,327.24
<u>Net Assets - Beginning of Year</u>	<u>-</u>	<u>90,233.02</u>	<u>90,233.02</u>
<u>Net Assets - End of Year</u>	<u>\$ -</u>	<u>\$ 94,560.26</u>	<u>\$ 94,560.26</u>

City of Brown City
Other Supplemental Information
Schedule of Indebtedness
March 31, 2006

**Series 2002 Sanilac Co., Brown City Water Tower
Rehabilitation Project Bonds**

Dated: March 1, 2003
Original Issue: \$200,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2006</u>	<u>2005</u>	
3.35%	3/1/2006	\$ -	\$ 20,000	\$ -
3.35%	3/1/2007	20,000	20,000	4,020
3.35%	3/1/2008	20,000	20,000	3,350
3.35%	3/1/2009	20,000	20,000	2,680
3.35%	3/1/2010	20,000	20,000	2,010
3.35%	3/1/2011	20,000	20,000	1,340
3.35%	3/1/2012	20,000	20,000	670
<u>Total Revenue Bonds</u>		<u>\$ 120,000</u>	<u>\$ 140,000</u>	<u>\$ 14,070</u>

**U.S. Department of Agriculture Rural Development
Used to Purchase the East Six Acres of Industrial Park**

Dated: September 30, 2004
Original Issue: \$70,000

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2006</u>	<u>2005</u>	
4.75%	5/1/2005	\$ -	\$ 6,000	\$ -
4.75%	5/1/2006	6,000	6,000	3,040
4.75%	5/1/2007	6,000	6,000	2,755
4.75%	5/1/2008	7,000	7,000	2,470
4.75%	5/1/2009	7,000	7,000	2,138
4.75%	5/1/2010	7,000	7,000	1,805
4.75%	5/1/2011	7,000	7,000	1,472
4.75%	5/1/2012	8,000	8,000	1,140
4.75%	5/1/2013	8,000	8,000	760
4.75%	5/1/2014	8,000	8,000	380
<u>Total Note Payable</u>		<u>\$ 64,000</u>	<u>\$ 70,000</u>	<u>\$ 15,960</u>

**Ford Motor Credit Company
2005 Ford Crown Victoria**

Dated: February 14, 2005
Original Issue: \$24,651

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31,</u>		<u>Remaining Annual Interest Payable</u>
		<u>2006</u>	<u>2005</u>	
5.00%	2/14/2006	\$ -	\$ 7,819	\$ -
5.00%	2/14/2007	8,210	8,210	411
<u>Total Note Payable</u>		<u>\$ 8,210</u>	<u>\$ 16,029</u>	<u>\$ 411</u>
<u>Total Revenue Bonds & Notes Payable</u>		<u>\$ 192,210</u>	<u>\$ 226,029</u>	<u>\$ 30,441</u>